

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Dowagiac Union School District	County Cass
Fiscal Year End June 30, 2007	Opinion Date October 23, 2007	Date Audit Report Submitted to State November 26, 2007	

We affirm that:

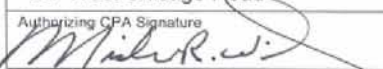
We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- YES NO Check each applicable box below. (See instructions for further detail.)
- ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
 - ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
 - ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
 - ☒ ☐ The local unit has adopted a budget for all required funds.
 - ☒ ☐ A public hearing on the budget was held in accordance with State statute.
 - ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
 - ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
 - ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
 - ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
 - ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
 - ☒ ☐ The local unit is free of repeated comments from previous years.
 - ☒ ☐ The audit opinion is UNQUALIFIED.
 - ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
 - ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
 - ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>	Internal Control letter under GAS	
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Norman & Paulsen, P.C.		Telephone Number 269-651-3228	
Street Address 127 West Chicago Road		City Sturgis	State MI
Authorizing CPA Signature 		Printed Name Michael R. Wilson	License Number 1101017570

DOWAGIAC UNION SCHOOL DISTRICT

FINANCIAL REPORT
WITH SUPPLEMENTAL INFORMATION

JUNE 30, 2007

Dowagiac Union School District

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Dowagiac Union School District

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INDEPENDENT AUDITOR'S REPORT

Board of Education
Dowagiac Union Schools, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Dowagiac Union Schools, as of and for the year ended June 30, 2007, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Dowagiac Union Schools' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Dowagiac Union Schools as of June 30, 2007, and the respective changes in financial position, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The administration's discussion and analysis and budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but is supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Donald L. Paulsen, CPA
Patrick J. Monahan, CPA
Bruce S. A. Gosling, CPA
Michael R. Wilson, CPA
Rick L. Strawser, CPA
Jerrel T. Norman (1941-1982)

Board of Education
Dowagiac Union Schools

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Dowagiac Union Schools basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2007, on our consideration of Dowagiac Union School's internal control over financial reporting and on our tests of it's compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Norman J. Paulson, P.C.

October 23, 2007

DOWAGIAC UNION SCHOOL DISTRICT

ADMINISTRATION'S DISCUSSION AND ANALYSIS
YEAR ENDED June 30, 2007

This section of Dowagiac Union Schools' annual financial report presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2007. Please read it in conjunction with the School District's financial statements, which immediately follow this section.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Dowagiac Union Schools financially as a whole. The *District-wide Financial Statements* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the School District's operations in more detail than the district-wide financial statements by providing information about the School District's most significant funds - the General Fund and the Debt Service Fund, with all other funds presented in one column as nonmajor funds. The remaining statement, the statement of fiduciary net assets, presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents.

Management's Discussion and Analysis (MD&A)
(Required Supplemental Information)

Basic Financial Statements

District-wide Financial Statements

Fund Financial Statements

Notes to the Basic Financial Statement

(Required Supplemental Information)

Budgetary Information for the General Fund and Major Special Revenue Funds

Other Supplemental Information

Reporting the School District as a whole - District-wide Financial Statements

One of the most important questions asked about the School District is, "As a whole, what is the School District's financial condition as a result of the year's activities?" The statement of net assets and the statement of activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

DOWAGIAC UNION SCHOOL DISTRICT

ADMINISTRATION'S DISCUSSION AND ANALYSIS - (Continued) YEAR ENDED June 30, 2007

These two statements report the School District's net assets - the difference between assets and liabilities, as reported in the statement of net assets - as one way to measure the School District's financial health or financial position. Over time, increases or decreases in the School District's net assets - as reported in the statement of activities - are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District's operating results. However, the School District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the School District.

The statement of net assets and statement of activities report the governmental activities for the School District, which encompass all of the School District's services, including instruction, supporting services, community services, athletics, and food services. Property taxes, unrestricted State Aid (foundation allowance revenue), and State and federal grants finance most of these activities.

Reporting the School District's Most Significant Funds - Fund Financial Statements

The School District's fund financial statements provide detailed information about the most significant funds - not the School District as a whole. Some funds are required to be established by State law and by bond covenants. However, the School District establishes many other funds to help it control and manage money for particular purposes or to show that it's meeting legal responsibilities for using certain taxes, grants, and other money. The governmental funds of the School District use the following accounting approach:

Governmental funds - All of the School District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the School District and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds in a reconciliation.

DOWAGIAC UNION SCHOOL DISTRICT

ADMINISTRATION'S DISCUSSION AND ANALYSIS - (Continued)
YEAR ENDED June 30, 2007

The School District as Trustee - Reporting the School District's Fiduciary Responsibilities

The School District is the trustee, or fiduciary, for its student activity funds. All of the School District's fiduciary activities are reported in separate statements of fiduciary net assets. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

The School District as a Whole

Recall that the statement of net assets provides the perspective of the School District as a whole. Table I provides a summary of the School District's net assets as of June 30, 2007 and 2006:

TABLE I	June 30,	
	<u>2007</u>	<u>2006</u>
Assets		
Current and other assets	\$ 6,176,405	\$ 6,315,905
Capital assets - Net of accumulated depreciation	<u>26,983,865</u>	<u>27,759,004</u>
Total assets	33,160,270	34,074,909
Liabilities		
Current liabilities	3,604,564	3,393,551
Long-term liabilities	<u>21,236,109</u>	<u>21,690,123</u>
Total liabilities	24,840,673	25,083,674
Net Assets		
Invested in property and equipment - net of related debt	5,271,266	5,527,915
Restricted for debt service	437,415	434,836
Unrestricted	<u>2,610,916</u>	<u>3,028,484</u>
Total net assets	<u>\$ 8,319,597</u>	<u>\$ 8,991,235</u>

DOWAGIAC UNION SCHOOL DISTRICT

ADMINISTRATION'S DISCUSSION AND ANALYSIS - (Continued)
YEAR ENDED June 30, 2007

The above analysis focuses on the net assets (see Table I). The change in net assets (see Table 2) of the School District's governmental activities is discussed below. The School District's net assets were \$8,319,597 at June 30, 2007. Capital assets, net of related debt totaling \$5,271,266 compares the original cost, less depreciation of the School District's capital assets to long-term debt. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use those net assets for day-to-day operations. The remaining amount of net assets \$2,610,916 was unrestricted.

The \$2,610,916 in unrestricted net assets of governmental activities represents the *accumulated* results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the School District as a whole are reported in the statement of activities (see Table 2), which shows the changes in net assets for fiscal years ended June 30, 2007 and 2006.

	Year Ended June 30,	
	2007	2006
Revenue		
Program revenue:		
Charges for services	\$ 427,172	\$ 387,363
Grants and catagoricals	3,780,851	3,743,739
General revenue:		
Property taxes	5,751,503	5,598,566
State foundation allowance	14,169,497	14,231,581
Other	302,253	206,041
Total revenue	24,431,276	24,167,290
Function/Program Expenses		
Instruction	13,469,432	13,313,208
Support services	8,380,980	7,530,466
Community services	8,152	3,622
Food services	888,695	833,603
Athletics	402,827	414,940
Interest on long-term debt	1,080,015	1,076,270
Depreciation (unallocated)	872,813	899,068
Total expenses	25,102,914	24,071,177
Increase in net assets	\$ (671,638)	\$ 96,113

DOWAGIAC UNION SCHOOL DISTRICT

ADMINISTRATION'S DISCUSSION AND ANALYSIS - (Continued)
YEAR ENDED June 30, 2007

As reported in the statement of activities, the cost of all governmental activities this year was \$25,102,914. Certain activities were partially funded from those who benefited from the programs \$(427,172) or by other governments and organizations that subsidized certain programs with grants and categoricals \$(3,780,851). We paid for the remaining "public benefit" portion of our governmental activities with \$5,751,503 in taxes, \$14,169,497 in State foundation Allowance, and with our other revenues, such as interest and general entitlements.

The School District experienced a decrease in net assets of \$671,638. Key reasons for the change in net assets were capitalizable expenditures and the repayment of bond principal and other long-term obligations. The decrease in net assets differs from the change in fund balance and a reconciliation appears on page 15.

As discussed above, the net cost shows the financial burden that was placed on the State and the School District's taxpayers by each of these functions. Since property taxes for operations and unrestricted State aid constitute the vast majority of School District operating revenue sources, the Board of Education and Administration must annually evaluate the needs of the School District and balance those needs with State-prescribed available unrestricted sources.

The School District's Funds

As we noted earlier, the School District uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the School District is being accountable for the resources taxpayers and others provide to it and may provide more insight into the School District's overall financial health.

As the School District completed this year, the governmental funds reported a combined fund balance of \$3,461,741, which is a decrease of \$179,099 from last year. In the General Fund, our principal operating fund, the fund balance decreased \$178,478 to \$2,852,666. The General Fund fund balance has been reserved for inventories - \$120,079; designated for encumbrances - \$44,982; designated for working capital - \$2,100,000; designated for future projects - \$70,000; and undesignated - \$517,605.

Our Food Service Fund and Athletics Fund are maintained at a zero fund balance.

Our Debt Service Fund reflected a fund balance decrease of \$621 and the fund balance ended the year at \$609,075. Millage rates are determined annually to ensure that the School District accumulates sufficient resources to pay annual bond issue-related debt service. Debt Service Fund fund balance is reserved since it can only be used to pay debt service obligations.

DOWAGIAC UNION SCHOOL DISTRICT

ADMINISTRATION'S DISCUSSION AND ANALYSIS - (Continued)
YEAR ENDED June 30, 2007

General Fund Budgetary Highlights

Over the course of the year, the School District revises its budget as it attempts to deal with changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements. Changes to the General Fund original budget were as follows:

Budgeted revenues were increased \$25,653 to better reflect adjustments to state per student foundation funding, adjustments to categorical funding and various grant programs. Actual revenues were within \$207,934 (0.9 percent) of the final budgeted revenues.

Budgeted expenditures were decreased \$90,568 due to decreases in programs funded under categorical and expenditure driven grants. Actual expenditures ended the year under the final budget by \$552,069 (2.5 percent).

Capital Asset and Debt Administration

Capital Assets

At June 30, 2007, the School District had \$36,070,031 invested in a broad range of capital assets, including land, buildings, furniture and equipment, and construction in progress. This amount represents a net decrease (including additions and disposals) of \$40,526, or 0.1 percent, from last year.

	<u>2007</u>	<u>2006</u>
Land	\$ 910,304	\$ 910,304
Buildings and improvements	31,573,983	31,573,983
Buses and other vehicles	1,374,331	1,433,587
Furniture and equipment	<u>2,211,413</u>	<u>2,192,683</u>
Total capital assets	36,070,031	36,110,557
Less accumulated depreciation	<u>9,086,166</u>	<u>8,351,553</u>
Net capital assets	<u>\$ 26,983,865</u>	<u>\$ 27,759,004</u>

DOWAGIAC UNION SCHOOL DISTRICT

ADMINISTRATION'S DISCUSSION AND ANALYSIS - (Continued)
YEAR ENDED June 30, 2007

Debt

At the end of this year, the School District had \$22,211,710 in bonds outstanding versus \$22,691,710 in the previous year - a change of 2.1 percent. Those bonds consisted of the following:

	<u>2007</u>	<u>2006</u>
General Obligation Bonds	<u>\$ 22,211,710</u>	<u>\$ 22,691,710</u>

The School District's General Obligation Bond rating continues to be equivalent to the State's credit rating. The State limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within the School District's boundaries. If the School District issues "qualified debt," i.e., debt backed by the State of Michigan, such obligations are not subject to this debt limit. The School District's outstanding unqualified general obligation debt is significantly below the statutorily imposed limit.

Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could significantly affect its financial health in the future:

The financial status of the State of Michigan may result in future Executive Order Cuts from the Governor.

Increases in the employer contribution to the Michigan Public School Employees Retirement System, as well as increased premiums for health insurance will significantly affect the District's finances.

Increases in other operational costs.

Contacting the School District's Financial Management

This financial report is designed to provide the School District's citizens, taxpayers, customers, and investors and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional information, contact Hal Davis, Assistant Superintendent of Business & Operations, phone (269) 782-4400, 206 Main Street, Dowagiac, Michigan 49047.

DOWAGIAC UNION SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2007

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Current Assets:	
Cash and cash equivalents	\$ 2,632,468
Accounts receivable	92,878
Taxes receivable (net)	-
Due from other governmental units	3,186,565
Prepaid expenses	129,157
Inventories	<u>135,337</u>
Total current assets	6,176,405
Noncurrent Assets:	
Capital assets	36,070,031
Less: accumulated depreciation	<u>(9,086,166)</u>
Total noncurrent assets	<u>26,983,865</u>
Total assets	33,160,270
<u>LIABILITIES</u>	
Current Liabilities:	
Short-term note payable	444,430
Accounts payable	340,016
Accrued payroll	1,010,301
Accrued benefits	505,130
Other liabilities	106,202
Accrued interest	171,660
Deferred revenue	308,585
Notes payable, due within one year	64,675
Bonds payable, due within one year	498,815
Other obligations, due within one year	<u>154,750</u>
Total current liabilities	3,604,564
Noncurrent Liabilities:	
Notes payable	64,674
Bonds payable	21,084,435
Other obligations	<u>87,000</u>
Total noncurrent liabilities	<u>21,236,109</u>
Total liabilities	24,840,673
<u>NET ASSETS</u>	
Invested in capital assets, net of related debt	5,271,266
Restricted for debt service	437,415
Unrestricted	<u>2,610,916</u>
Total net assets	<u><u>\$ 8,319,597</u></u>

See Notes to Financial Statements

DOWAGIAC UNION SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
YEAR ENDED June 30, 2007

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>		<u>Governmental</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Activities</u>
		<u>Services</u>	<u>Grants/</u>	<u>Net (Expense)</u>
			<u>Contributions</u>	<u>Revenue and</u>
				<u>Changes in Net</u>
				<u>Assets</u>
Governmental activities:				
Instruction	\$ 13,469,432	\$ 5,843	\$ 3,142,850	\$ (10,320,739)
Support services	8,380,980	42,281	44,335	(8,294,364)
Food services	888,695	293,131	593,666	(1,898)
Athletics	402,827	85,917	-	(316,910)
Community services	8,152	-	-	(8,152)
Interest on long-term debt 1,080,015	-	-	(1,080,015)	
Depreciation (unallocated)	872,813	-	-	(872,813)
Total Governmental activities	<u>\$ 25,102,914</u>	<u>\$ 427,172</u>	<u>\$ 3,780,851</u>	(20,894,891)
General revenues:				
Taxes				
Property taxes, levied for general operations				4,238,199
Property taxes, levied for debt service				1,513,304
State aid not restricted to specific purposes				14,169,497
Interest and investment earnings				226,566
Other				<u>75,687</u>
Total general revenues				<u>20,223,253</u>
Change in Net Assets				(671,638)
Net Assets - Beginning of year				<u>8,991,235</u>
Net Assets - End of year				<u>\$ 8,319,597</u>

See Notes to Financial Statements

DOWAGIAC UNION SCHOOL DISTRICT

GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2007

	<u>General</u>	<u>Debt Service</u>	<u>Other Nonmajor Governmental Funds</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 1,895,954	\$ 609,316	\$ 127,198
Accounts receivable	92,878	-	-
Due from other governmental units	3,186,565	-	-
Due from other funds	107,187	-	-
Prepaid expenditures	126,545	-	2,612
Inventories	<u>120,079</u>	<u>-</u>	<u>15,258</u>
Total assets	<u>\$ 5,529,208</u>	<u>\$ 609,316</u>	<u>\$ 145,068</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Short-term note payable	\$ 444,430	\$ -	\$ -
Accounts payable	308,696	241	31,079
Accrued payroll	1,010,301	-	-
Accrued benefits	505,130	-	-
Other liabilities	106,202	-	-
Due to other funds	-	-	107,187
Deferred revenue	<u>301,783</u>	<u>-</u>	<u>6,802</u>
Total liabilities	2,676,542	241	145,068
Fund Balances:			
Reserved:			
Inventories	120,079	-	-
Debt service	-	609,075	-
Unreserved:			
Designated for encumbrances	44,982	-	-
Designated for working capital	2,100,000	-	-
Designated for future projects	70,000	-	-
Undesignated	<u>517,605</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>2,852,666</u>	<u>609,075</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 5,529,208</u>	<u>\$ 609,316</u>	<u>\$ 145,068</u>

See Notes to Financial Statements

Total

\$ 2,632,468
92,878
3,186,565
107,187
129,157
135,337

\$ 6,283,592

\$ 444,430
340,016
1,010,301
505,130
106,202
107,187
308,585

2,821,851

120,079
609,075

44,982
2,100,000
70,000
517,605

3,461,741

\$ 6,283,592

DOWAGIAC UNION SCHOOL DISTRICT

GOVERNMENTAL FUNDS
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2007

Total Fund Balances - Governmental Funds \$ 3,461,741

Amounts reported for governmental activities in the
statement of net assets are different because:

Capital assets used in governmental activities are not
financial resources and are not reported in the funds.

The cost of the capital assets is 36,070,031

Accumulated depreciation is (9,086,166)

Total 26,983,865

Long-term liabilities are not due and payable in the
current period and are not reported in the funds:

Notes payable (129,349)

Bonds payable (21,583,250)

Other obligations (241,750)

Accrued interest payable on long-term liabilities is not
included as a liability in governmental activities (171,660)

Net assets of governmental activities \$ 8,319,597

DOWAGIAC UNION SCHOOL DISTRICT

GOVERNMENTAL FUNDS
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 YEAR ENDED June 30, 2007

	<u>General</u>	<u>Debt Service</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total</u>
Revenues:				
Local sources	\$ 4,569,193	\$ 1,532,687	\$ 379,048	\$ 6,480,928
State sources	15,865,515	-	54,409	15,919,924
Federal sources	<u>1,491,167</u>	<u>-</u>	<u>539,257</u>	<u>2,030,424</u>
Total revenues	21,925,875	1,532,687	972,714	24,431,276
Expenditures:				
Instruction	13,184,507	-	-	13,184,507
Supporting services	8,478,654	-	-	8,478,654
Community services	8,152	-	-	8,152
Food service	-	-	888,695	888,695
Athletics	-	-	402,827	402,827
Debt service	71,057	1,533,308	-	1,604,365
Interdistrict	<u>43,175</u>	<u>-</u>	<u>-</u>	<u>43,175</u>
Total expenditures	<u>21,785,545</u>	<u>1,533,308</u>	<u>1,291,522</u>	<u>24,610,375</u>
Excess (deficiency) of revenues over expenditures	140,330	(621)	(318,808)	(179,099)
Other financing sources (uses):				
Operating transfers in	-	-	318,808	318,808
Operating transfers out	<u>(318,808)</u>	<u>-</u>	<u>-</u>	<u>(318,808)</u>
Total other financing sources (uses)	<u>(318,808)</u>	<u>-</u>	<u>318,808</u>	<u>-</u>
Net change in fund balances	(178,478)	(621)	-	(179,099)
Fund balances, July 1	<u>3,031,144</u>	<u>609,696</u>	<u>-</u>	<u>3,640,840</u>
Fund balances, June 30	<u>\$ 2,852,666</u>	<u>\$ 609,075</u>	<u>\$ -</u>	<u>\$ 3,461,741</u>

See Notes to Financial Statements

DOWAGIAC UNION SCHOOL DISTRICT
FIDUCIARY FUND
STATEMENT OF FIDUCIARY NET ASSETS
June 30, 2007

	Student Activities <u>Agency Fund</u>
<u>ASSETS</u>	
Cash and cash equivalents	<u>\$ 171,269</u>
<u>LIABILITIES</u>	
Due to student groups	<u>\$ 171,269</u>

See Notes to Financial Statements

DOWAGIAC UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Dowagiac Union School District conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the School District:

Reporting Entity

The School District is governed by an elected seven-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School Districts' reporting entity, and which organizations are legally separate, component units of the school district. Based on the application of the criteria, the district does not contain any component units.

District-Wide and Fund Financial Statements

The district-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the district's government wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

DOWAGIAC UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

District-Wide Statements - The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants, categorical aid, and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenue include (1) charges to customer or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes and unrestricted State aid.

Fund-based Statements - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, unrestricted State aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

Fiduciary fund statements also are reported using the economic resources measurement focus and the accrual basis of accounting.

The school district reports the following major governmental funds:

The General Fund is the school district's primary operating fund. It accounts for all financial resources of the district, except those required to be accounted for in another fund.

DOWAGIAC UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Debt Service Fund is used to record tax, interest, other revenue for payment, principle and other expenditures on the bond debt obligations.

Additionally, the government reports the following fund types:

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes.

The School Service Funds are Special Revenue Funds that segregate, for administrative purposes, the transactions of a particular activity from regular revenue and expenditure accounts. The School District maintains full control of these funds. The School Service Funds maintained by the School District are the Athletic Fund and Food Services Fund.

Fiduciary Funds are used to account for assets held by the School District in a trustee capacity or as an agent. Fiduciary Fund net assets and results of operations are not included in the government-wide statements. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

The School District presently maintains a Student Activities Fund to record the transactions of student and parent groups for school and school-related purposes. The funds are segregated and held in trust for the students and parents.

Assets, Liabilities, and Net Assets or Equity

Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds."

DOWAGIAC UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property tax and other trade receivables are shown net of an allowance for uncollectible amounts. Property taxes are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. Taxes are considered delinquent on March 1 of the following year. At this time, penalties and interest are assessed and the total obligation is added to the county tax rolls.

The State of Michigan utilized a foundation allowance approach, which provides for a specific annual amount of revenue per student based on a state-wide formula. The foundation allowance is funded from a combination of state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The state portion of the foundation is provided from the state's School Aid Fund and is recognized as revenue in accordance with state law and accounting principles generally accepted in the United States of America.

The District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain categorical funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

Inventories and Prepaid Items - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets - Capital assets, which include land, buildings, equipment, and vehicles are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset life are not capitalized. The school district does not have infrastructure type assets.

DOWAGIAC UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	20-50 years
Buses and other vehicles	5-10 years
Furniture and other equipment	5-10 years

Long-Term Obligations - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period.

Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Comparative Data/Reclassifications - Comparative data is not included in the district's financial statements.

DOWAGIAC UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the general and special revenue funds. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the district to have its budget in place by July 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. State law permits districts to amend its budgets during the year.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the goods or services have not been received as of year end; the commitments will be reappropriated and honored during the subsequent year.

Excess of Expenditures Over Appropriations in Budgeted Funds - The School district did not have significant expenditure budget variances.

DOWAGIAC UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE 3 - CASH AND CASH EQUIVALENTS

Investments and Depositories are restricted to those complying with MCL 380.622, 380.1221 and 380.1223. These include:

- * United States Government Securities.
- * United States Government Agencies.
- * Federal Instrumentalities (United States Government-Sponsored Enterprises).
- * Certificates of Deposit.
- * Repurchase Agreements.
- * Commercial Paper.
- * Bankers' Acceptances.
- * Registered Investment Companies (Money Market Mutual Funds).
- * Investment pools, as authorized by the surplus funds investment pool act, 1982 PA 367, MCL 129.111 to 129.118, composed entirely of instruments that are legal for direct investment by an intermediate school district.

The School District's cash and cash equivalents at June 30, 2007, are composed of the following:

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>
Deposits	<u>\$ 2,632,468</u>	<u>\$ 171,269</u>	<u>\$ 2,803,737</u>

Deposits consist of checking, savings, and bank municipal investment funds. The above deposits were reflected in the accounts of the bank (without recognition of checks written but not yet cleared, or of deposits in transit) at \$3,099,362. Of that amount, \$627,879 was covered by federal depository insurance coverage or secured and \$2,141,880 was uninsured and uncollateralized. The balance of \$329,603 was invested in bank municipal investment funds which are not categorized by risk.

The School District believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. The School District evaluates each financial institution it deposits School District funds with and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

DOWAGIAC UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 4 - DEFERRED REVENUE

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue include unearned grant and categorical aid payments received prior to meeting all eligibility requirements in the amount of \$301,783.

NOTE 5 - CAPITAL ASSETS

Capital asset activity of the School District's governmental activities was as follows:

	Balance <u>July 1, 2006</u>	<u>Additions</u>	Disposals and <u>Adjustments</u>	Balance <u>June 30, 2007</u>
Assets not being depreciated - Land	\$ 910,304	\$ -	\$ -	\$ 910,304
Capital assets being depreciated:				
Buildings and building improvements	31,573,983	-	-	31,573,983
Buses and other vehicles	1,433,587	24,944	84,200	1,374,331
Furniture and equipment	<u>2,192,683</u>	<u>72,730</u>	<u>54,000</u>	<u>2,211,413</u>
Subtotal	35,200,253	97,674	138,200	35,159,727
Accumulated depreciation:				
Buildings and building improvements	6,448,783	557,556	-	7,006,339
Buses and other vehicles	1,047,738	93,828	84,200	1,057,366
Furniture and equipment	<u>855,032</u>	<u>221,429</u>	<u>54,000</u>	<u>1,022,461</u>
Subtotal	<u>8,351,553</u>	<u>872,813</u>	<u>138,200</u>	<u>9,086,166</u>
Net capital assets being depreciated	<u>26,848,700</u>			<u>26,073,561</u>
Net capital assets	<u>\$ 27,759,004</u>			<u>\$ 26,983,865</u>

Depreciation expense was not charged to activities as the School District considers its assets to impact multiple activities and allocation is not practical.

NOTE 6 - SHORT-TERM NOTE PAYABLE

Michigan Municipal Bond Authority State
Aid note payable on August 20, 2007
plus interest at 3.68%

\$ 444,430

DOWAGIAC UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 7 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Due To/From Other Funds:		
General Fund	Other governmental funds	<u>\$ 107,187</u>
Interfund Transfers:		
	Transfer Out:	
	General Fund	
Transfer in:		
Other governmental funds		<u>\$ 318,808</u>

NOTE 8 - LONG-TERM DEBT

The school district issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the school district.

Long-term obligation activity can be summarized as follows:

Governmental Activities

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Notes	\$ 194,024	\$ -	\$ 64,675	\$ 129,349	<u>\$ 64,675</u>
Bonds	22,691,710	-	480,000	22,211,710	<u>\$ 525,000</u>
Deposits with escrow agent	(654,645)	-	(26,185)	(628,460)	<u>\$ (26,185)</u>
Other obligations	<u>-</u>	<u>241,750</u>	<u>-</u>	<u>241,750</u>	<u>\$ 154,750</u>
Totals	<u>\$22,231,089</u>	<u>\$ 241,750</u>	<u>\$ 518,490</u>	<u>\$21,954,349</u>	

DOWAGIAC UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE 8 - LONG-TERM DEBT - (Continued)

The annual requirement to service the bonds and notes outstanding to maturity, including both principal and interest, are as follows:

Year ended June 30,	Principal	Interest	Total
2008	\$ 589,675	\$ 1,043,398	\$ 1,633,073
2009	634,349	1,017,922	1,652,271
2010	595,847	990,304	1,586,151
2011	617,078	966,405	1,583,483
2012	643,366	940,822	1,584,188
Thereafter	<u>19,260,744</u>	<u>9,929,833</u>	<u>29,190,577</u>
	<u>\$22,341,059</u>	<u>\$14,888,684</u>	<u>\$37,229,743</u>

Governmental Activities:

General obligation bonds consist of:

\$443,346 1998 School Improvement Bond (Durant Settlement) payable in annual installments of \$45,444 to \$19,549 through May 15, 2013; payments are to be made directly by the State of Michigan	\$ 181,710
\$13,115,000 2002 School Building and Site Bonds, payable in annual installments of \$480,000 to \$1,080,000 through May 1, 2024; interest from 4.00% to 5.50%	12,175,000
\$10,000,000 2005 Refunding Bonds, payable in annual installments of \$35,000 to \$1,475,000 through May 1, 2031; interest from 3.25% to 4.375%	<u>9,855,000</u>
Total bonds payable	<u>\$22,211,710</u>

Notes payable consist of:

Notes payable to bank, annual payments of \$64,675 through January 22, 2009, plus interest at 4.52%, secured by school buses	<u>\$ 129,349</u>
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Other obligations consist of:

Employee termination benefits	<u>\$ 241,750</u>
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DOWAGIAC UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 9 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The School District has purchased commercial insurance for property loss, torts, errors and omissions, and medical claims for certain employee groups. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 10- DEFINED BENEFIT PENSION PLAN AND POST RETIREMENT BENEFITS

Plan Description - The School District participates in the Michigan Public School Employees' Retirement System (MPERS), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the District. The system provides retirement, survivor and disability benefits to plan members and their beneficiaries. The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the system at 7150 Harris Drive, P.O. Box 30673, Lansing, MI 48909-8103.

Funding Policy - Employer contributions to the system result from the implementing effect of the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis.

The pension benefit rate totals 16.34 percent for the period July 1, 2006 through September 30, 2006 and 17.74 percent for the period October 1, 2006 through June 30, 2007 of the covered payroll to the plan. Basic plan members make no contributions, but Member Investment Plan members contribute at rates ranging from 3 percent to 4.3 percent of gross wages. The District's contributions to the MPERS plan for the years ended June 30, 2007, 2006, and 2005 were \$2,204,698, \$2,059,290, and \$1,802,407.

Post Employment Benefits - Under the MPERS Act, all retirees participating in the MPERS Pension Plan have the option of continuing health, dental, and vision coverage. Retirees having these coverages contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental, and vision coverages. Required contributions for post employment health care benefits are included as part of the District's total contribution to the MPERS plan discussed above.

REQUIRED SUPPLEMENTAL INFORMATION

DOWAGIAC UNION SCHOOL DISTRICT

REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
YEAR ENDED June 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (under) Final Budget</u>
Revenues:				
Local sources	\$ 4,446,924	\$ 4,475,403	\$ 4,569,193	\$ 93,790
State sources	15,725,917	15,717,498	15,865,515	148,017
Federal sources	<u>1,519,447</u>	<u>1,525,040</u>	<u>1,491,167</u>	<u>(33,873)</u>
Total revenue	21,692,288	21,717,941	21,925,875	207,934
Expenditures:				
Instruction:				
Basic programs	10,551,010	10,534,849	10,422,747	(112,102)
Added needs	2,827,491	2,834,026	2,737,749	(96,277)
Adult/community education	27,349	27,349	24,011	(3,338)
Support services:				
Pupil	1,159,093	1,175,012	1,127,092	(47,920)
Instructional staff	1,501,892	1,440,288	1,343,823	(96,465)
General administration	334,835	323,500	300,246	(23,254)
School administration	1,385,311	1,375,188	1,384,905	9,717
Business services	871,047	819,807	790,261	(29,546)
Operations and maintenance	2,627,157	2,610,550	2,490,162	(120,388)
Transportation	864,974	912,800	893,688	(19,112)
Central services	148,653	153,375	148,477	(4,898)
Community services	10,880	12,380	8,152	(4,228)
Debt service	71,060	71,060	71,057	(3)
Interdistrict	<u>47,430</u>	<u>47,430</u>	<u>43,175</u>	<u>(4,255)</u>
Total expenditures	<u>22,428,182</u>	<u>22,337,614</u>	<u>21,785,545</u>	<u>(552,069)</u>
Excess (deficiency) of revenues over expenditures	(735,894)	(619,673)	140,330	760,003
Other financing sources (uses):				
Operating transfers out	<u>(390,311)</u>	<u>(347,115)</u>	<u>(318,808)</u>	<u>(28,307)</u>
Net change in fund balance	(1,126,205)	(966,788)	(178,478)	788,310
Fund balance, July 1	<u>3,031,144</u>	<u>3,031,144</u>	<u>3,031,144</u>	<u>-</u>
Fund balance, June 30	<u>\$ 1,904,939</u>	<u>\$ 2,064,356</u>	<u>\$ 2,852,666</u>	<u>\$ 788,310</u>

OTHER SUPPLEMENTAL INFORMATION

DOWAGIAC UNION SCHOOL DISTRICT

OTHER SUPPLEMENTAL INFORMATION

GENERAL FUND
STATEMENT OF REVENUES
YEAR ENDED June 30, 2007

REVENUES

Revenues from local sources:

Current tax levy	\$ 4,238,199
Transportation charges	42,281
Rental income	19,454
Interest on investments	207,183
Insurance reimbursements	15,002
Other revenues from local sources	<u>47,074</u>

Total revenues from local sources 4,569,193

Revenues from state sources:

Foundation	14,169,497
At Risk	740,130
Early Childhood Program	234,442
Bilingual Education	7,963
Middle School Math	29,686
Special Education	548,434
Vocational Education	62,035
Adult Education	27,400
Durant Settlement	44,335
Other	<u>1,593</u>

Total revenues from state sources 15,865,515

Revenues from federal sources:

Title I	701,670
Migrant Education - regular	208,255
Migrant Education - summer	171,986
Title IIA Improving Teacher Quality	181,801
Title V LEA Allocation	4,172
Technology Literacy	10,960
Drug-free Grant	22,538
Title III English Language	45,272
Medicaid	<u>144,513</u>

Total revenues from federal sources 1,491,167

Total revenues \$ 21,925,875

DOWAGIAC UNION SCHOOL DISTRICT

OTHER SUPPLEMENTAL INFORMATION

GENERAL FUND
STATEMENT OF OPERATING EXPENDITURES
YEAR ENDED June 30, 2007

INSTRUCTION

Basic programs:

Elementary:

Salaries	\$ 2,622,818
Benefits	1,256,785
Purchased services	2,101
Supplies, materials and other	<u>154,101</u>

Total elementary	4,035,805
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Middle/Junior High:

Salaries	2,178,283
Benefits	1,049,380
Purchased services	2,851
Supplies, materials and other	<u>97,547</u>

Total middle school	3,328,061
---------------------	-----------

High School:

Salaries	1,802,850
Benefits	827,427
Purchased services	54,337
Supplies, materials and other	<u>134,386</u>

Total high school	2,819,000
-------------------	-----------

Pre-School:

Salaries	146,734
Benefits	62,573
Purchased services	45
Supplies, materials and other	<u>15,058</u>

Total pre-school	224,410
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Summer School:

Salaries	12,512
Benefits	2,959
Purchased services	-
Supplies, materials and other	<u>-</u>

Total summer school	<u>15,471</u>
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Total basic programs	10,422,747
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DOWAGIAC UNION SCHOOL DISTRICT

OTHER SUPPLEMENTAL INFORMATION

GENERAL FUND
STATEMENT OF OPERATING EXPENDITURES
YEAR ENDED June 30, 2007

INSTRUCTION - Continued

Added needs:

Special education:

Salaries	928,941
Benefits	439,268
Purchased services	248
Supplies, materials and other	<u>12,059</u>

Total special education	1,380,516
-------------------------	-----------

Compensatory education:

Salaries	561,263
Benefits	198,992
Purchased services	2,836
Supplies, materials and other	<u>85,670</u>

Total compensatory education	848,761
------------------------------	---------

Vocational education:

Salaries	307,177
Benefits	141,163
Purchased services	8,470
Supplies, materials and other	32,840
Capital outlay	<u>18,822</u>

Total vocational education	<u>508,472</u>
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Total added needs	2,737,749
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Adult secondary education:

Salaries	16,675
Benefits	2,881
Purchased services	1,206
Supplies, materials and other	<u>3,249</u>

Total adult education	<u>24,011</u>
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Total instruction	13,184,507
-------------------	------------

DOWAGIAC UNION SCHOOL DISTRICT

OTHER SUPPLEMENTAL INFORMATION

GENERAL FUND
STATEMENT OF OPERATING EXPENDITURES
YEAR ENDED June 30, 2007

SUPPORTING SERVICES

Pupil services:

Attendance:

Salaries	89,143
Benefits	42,440
Purchased services	2,084
Supplies, materials and other	<u>-</u>

Total attendance	133,667
------------------	---------

Guidance:

Salaries	397,330
Benefits	194,745
Purchased services	12,349
Supplies, materials and other	<u>5,551</u>

Total guidance	609,975
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Health:

Salaries	37,606
Benefits	22,323
Purchased services	1,730
Supplies, materials and other	<u>2,605</u>

Total health	64,264
--------------	--------

Speech pathology:

Salaries	168,706
Benefits	80,702
Purchased services	694
Supplies, materials and other	<u>3,182</u>

Total speech pathology	253,284
------------------------	---------

Other:

Salaries	48,017
Benefits	12,114
Purchased services	5,771
Supplies, materials, and other	<u>-</u>

Total other	<u>65,902</u>
-------------	---------------

Total pupil services	1,127,092
----------------------	-----------

DOWAGIAC UNION SCHOOL DISTRICT

OTHER SUPPLEMENTAL INFORMATION

GENERAL FUND
STATEMENT OF OPERATING EXPENDITURES
YEAR ENDED June 30, 2007

SUPPORTING SERVICES - Continued

Instructional staff:

Staff improvement:

Salaries	21,705
Benefits	5,444
Purchased services	50,489
Supplies, materials and other	<u>42,973</u>

Total staff improvement 120,611

Library:

Salaries	209,612
Benefits	88,262
Purchased services	8,017
Supplies, materials and other	<u>34,898</u>

Total library 340,789

Supervision:

Salaries	310,359
Benefits	115,308
Purchased services	1,200
Supplies, materials and other	<u>2,302</u>

Total supervision 429,169

Staff other:

Salaries	287,280
Benefits	146,120
Purchased services	15,646
Supplies, materials and other	<u>4,208</u>

Total staff other 453,254

Total instructional staff 1,343,823

General administration:

Board of education:

Salaries	2,120
Benefits	538
Purchased services	73,015
Supplies, materials and other	<u>15,269</u>

Total board of education 90,942

DOWAGIAC UNION SCHOOL DISTRICT

OTHER SUPPLEMENTAL INFORMATION

GENERAL FUND
STATEMENT OF OPERATING EXPENDITURES
YEAR ENDED June 30, 2007

SUPPORTIVE SERVICES - Continued

Executive administration:

Salaries	132,950
Benefits	39,391
Purchased services	22,985
Supplies, materials and other	<u>13,978</u>

Total executive administration	<u>209,304</u>
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Total general administration	300,246
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School administration:

Principals:

Salaries	893,744
Benefits	423,359
Purchased services	29,323
Supplies, materials and other	20,293
Capital outlay	<u>18,186</u>

Total principals	1,384,905
------------------	-----------

Business services:

Fiscal services:

Salaries	238,302
Benefits	108,033
Purchased services	7,739
Supplies, materials and other	<u>4,351</u>

Total fiscal services	358,425
-----------------------	---------

Other:

Salaries	86,888
Benefits	47,488
Purchased services	65,823
Supplies, materials and other	<u>231,637</u>

Total other	<u>431,836</u>
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Total business services	790,261
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DOWAGIAC UNION SCHOOL DISTRICT

OTHER SUPPLEMENTAL INFORMATION

GENERAL FUND
STATEMENT OF OPERATING EXPENDITURES
YEAR ENDED June 30, 2007

SUPPORTIVE SERVICES - Continued

Operation of plant:

Salaries	520,110
Benefits	345,828
Purchased services	955,872
Supplies, materials and other	627,196
Capital outlay	<u>41,156</u>

Total operation of plant 2,490,162

Pupil transportation:

Salaries	392,672
Benefits	269,264
Purchased services	74,035
Supplies, materials and other	151,116
Capital outlay	<u>6,601</u>

Total pupil transportation 893,688

Central services:

Salaries	44,828
Benefits	11,228
Purchased services	74,686
Supplies, materials and other	<u>17,735</u>

Total central services 148,477

Total support service expenditures 8,478,654

COMMUNITY SERVICES

Purchased services	1,560
Supplies, materials and other	<u>6,592</u>

Total community services 8,152

DEBT SERVICE

Principal payments	64,675
Interest	<u>6,382</u>

Total debt service 71,057

OTHER DISTRICTS

Tuition	<u>43,175</u>
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Total operating expenditures \$ 21,785,545

DOWAGIAC UNION SCHOOL DISTRICT

OTHER SUPPLEMENTAL INFORMATION

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2007

	<u>Special Revenue Funds</u>		
	<u>Food Services</u>	<u>Athletics</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 119,034	\$ 8,164	\$ 127,198
Accounts receivable	-	-	-
Due from other governmental units	-	-	-
Due from other funds	-	-	-
Prepaid expenditures	2,612	-	2,612
Inventory	<u>15,258</u>	<u>-</u>	<u>15,258</u>
Total assets	<u>\$ 136,904</u>	<u>\$ 8,164</u>	<u>\$ 145,068</u>
 <u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$ 26,623	\$ 4,456	\$ 31,079
Accrued payroll	-	-	-
Accrued benefits	-	-	-
Due to other funds	103,479	3,708	107,187
Deferred revenue	<u>6,802</u>	<u>-</u>	<u>6,802</u>
Total liabilities	136,904	8,164	145,068
Fund balances:			
Unreserved:			
Undesignated	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 136,904</u>	<u>\$ 8,164</u>	<u>\$ 145,068</u>

DOWAGIAC UNION SCHOOL DISTRICT

OTHER SUPPLEMENTAL INFORMATION

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUND
YEAR ENDED June 30, 2007

	<u>Special Revenue Funds</u>		
	<u>Food Services</u>	<u>Athletics</u>	<u>Total</u>
Revenues:			
Local sources	\$ 293,131	\$ 85,917	\$ 379,048
State sources	54,409	-	54,409
Federal sources	<u>539,257</u>	<u>-</u>	<u>539,257</u>
Total revenues	886,797	85,917	972,714
Expenditures:			
Food services	888,695	-	888,695
Athletics	<u>-</u>	<u>402,827</u>	<u>402,827</u>
Total expenditures	<u>888,695</u>	<u>402,827</u>	<u>1,291,522</u>
Excess (deficiency) of revenues over expenditures	(1,898)	(316,910)	(318,808)
Other financing sources (uses):			
Operating transfers in	1,898	316,910	318,808
Operating transfers out	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>1,898</u>	<u>316,910</u>	<u>318,808</u>
Net change in fund balances	-	-	-
Fund balances, July 1	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

DOWAGIAC UNION SCHOOL DISTRICT

OTHER SUPPLEMENTAL INFORMATION

FOOD SERVICE FUND
 STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 YEAR ENDED June 30, 2007

	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenues:			
Local sources	\$ 285,000	\$ 293,131	\$ 8,131
State sources	56,665	54,409	(2,256)
Federal sources	<u>518,022</u>	<u>539,257</u>	<u>21,235</u>
Total revenues	859,687	886,797	27,110
Expenditures:			
Salaries	53,620	53,620	-
Employee benefits	13,614	13,614	-
Purchased services	735,237	780,413	45,176
Supplies, material and other	65,517	41,048	(24,469)
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>867,988</u>	<u>888,695</u>	<u>20,707</u>
Excess (deficiency) of revenues over expenditures	(8,301)	(1,898)	6,403
Other financing sources (uses):			
Operating transfers in	8,301	1,898	(6,403)
Operating transfers out	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>8,301</u>	<u>1,898</u>	<u>(6,403)</u>
Net change in fund balances	-	-	-
Fund balance - July 1	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - June 30	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

DOWAGIAC UNION SCHOOL DISTRICT

OTHER SUPPLEMENTAL INFORMATION

ATHLETIC FUND
 STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 YEAR ENDED June 30, 2007

	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenues:			
Local sources	\$ 85,610	\$ 85,917	\$ 307
 Expenditures:			
Salaries	173,187	168,895	(4,292)
Employee benefits	43,746	42,195	(1,551)
Purchased services	127,104	117,637	(9,467)
Supplies, material and other	80,387	74,100	(6,287)
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>
 Total expenditures	<u>424,424</u>	<u>402,827</u>	<u>(21,597)</u>
 Excess (deficiency) of revenues over expenditures	 (338,814)	 (316,910)	 21,904
 Other financing sources:			
Operating transfers in	<u>338,814</u>	<u>316,910</u>	<u>(21,904)</u>
 Net change in fund balances	 -	 -	 -
 Fund balance - July 1	 <u>-</u>	 <u>-</u>	 <u>-</u>
 Fund balance - June 30	 <u><u>\$ -</u></u>	 <u><u>\$ -</u></u>	 <u><u>\$ -</u></u>

DOWAGIAC UNION SCHOOL DISTRICT

OTHER SUPPLEMENTAL INFORMATION

COMBINING STATEMENT OF CHANGES IN
 ASSETS AND LIABILITIES - ALL AGENCY TYPES
 June 30, 2007

	BALANCE <u>06/30/06</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	BALANCE <u>6/30/07</u>
<u>STUDENT ACTIVITY FUND</u>				
ASSETS				
Cash and cash equivalents	<u>\$ 200,263</u>	<u>\$ 322,970</u>	<u>\$ 351,964</u>	<u>\$171,269</u>
LIABILITIES				
Due to student groups and teacher groups:				
McKinley School	\$ 4,583	\$ 9,265	\$ 6,729	\$ 7,119
Kincheloe School	9,718	9,302	7,848	11,172
Justus Gage School	4,239	8,139	10,394	1,984
Sister Lakes School	5,617	20,587	15,972	10,232
Patrick Hamilton School	43,961	33,584	47,885	29,660
Dowagiac Middle School	33,737	46,732	46,015	34,454
Union High School	68,378	195,059	217,121	46,316
Bakeman Music Scholarship	<u>30,030</u>	<u>302</u>	<u>-</u>	<u>30,332</u>
Total Liabilities	<u>\$ 200,263</u>	<u>\$ 322,970</u>	<u>\$ 351,964</u>	<u>\$171,269</u>

DOWAGIAC UNION SCHOOL DISTRICT

OTHER SUPPLEMENTAL INFORMATION

STATEMENT OF BOND INDEBTEDNESS
YEAR ENDED JUNE 30, 2007

2002 SCHOOL BUILDING AND SITE BONDS - NON-REFUNDED
PORTION (General obligation - unlimited tax)

\$ 13,115,000

Balance payable as follows:

<u>Year</u>	<u>Rate</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2008	4.250	\$ 609,894	\$ 490,000	\$ 1,099,894
2009	4.250	589,068	510,000	1,099,068
2010	4.000	567,394	535,000	1,102,394
2011	4.125	545,994	555,000	1,100,994
2012	5.000	523,100	580,000	1,103,100
2013	5.500	494,100	610,000	1,104,100
2014	5.500	460,550	645,000	1,105,550
2015	5.500	425,074	680,000	1,105,074
2016	5.500	387,676	285,000	672,676
2017	5.500	372,000	755,000	1,127,000
2018	5.500	330,474	795,000	1,125,474
2019	5.000	286,750	840,000	1,126,750
2020	5.000	244,750	885,000	1,129,750
2021	5.000	200,500	930,000	1,130,500
2022	5.000	154,000	975,000	1,129,000
2023	5.000	105,250	1,025,000	1,130,250
2024	5.000	<u>54,000</u>	<u>1,080,000</u>	<u>1,134,000</u>
Total		<u>\$ 6,350,574</u>	<u>\$ 12,175,000</u>	<u>\$ 18,525,574</u>

Interest on the bonds of the above issue is payable semi-annually on November 1 and May 1. Principal is payable annually on May 1.

DOWAGIAC UNION SCHOOL DISTRICT

OTHER SUPPLEMENTAL INFORMATION

STATEMENT OF BOND INDEBTEDNESS
YEAR ENDED JUNE 30, 2007

2005 REFUNDING BONDS (General obligation - unlimited tax) \$ 10,000,000

Balance payable as follows:

<u>Year</u>	<u>Rate</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2008	3.500	\$ 420,075	\$ 35,000	\$ 455,075
2009	3.500	418,850	35,000	453,850
2010	3.625	417,625	35,000	452,625
2011	4.000	416,356	35,000	451,356
2012	4.000	414,956	35,000	449,956
2013	4.000	413,556	35,000	448,556
2014	4.000	412,156	40,000	452,156
2015	4.000	410,556	40,000	450,556
2016	4.000	408,956	465,000	873,956
2017	4.000	390,356	-	390,356
2018	4.000	390,356	-	390,356
2019	4.000	390,356	-	390,356
2020	4.000	390,356	-	390,356
2021	4.000	390,356	-	390,356
2022	4.000	390,356	-	390,356
2023	4.000	390,356	-	390,356
2024	4.000	390,356	-	390,356
2025	4.250	390,356	1,140,000	1,530,356
2026	4.250	341,906	1,190,000	1,531,906
2027	4.250	291,332	1,240,000	1,531,332
2028	4.250	238,632	1,295,000	1,533,632
2029	4.250	183,594	1,350,000	1,533,594
2030	4.375	126,218	1,410,000	1,536,218
2031	4.375	64,532	1,475,000	1,539,532
Total		<u>\$ 8,492,504</u>	<u>\$ 9,855,000</u>	<u>\$ 18,347,504</u>

Interest on the bonds of the above issue is payable semi-annually on November 1 and May 1. Principal is payable annually on May 1.

DOWAGIAC UNION SCHOOL DISTRICT

OTHER SUPPLEMENTAL INFORMATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED June 30, 2007

<u>Federal Grantor/Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Program or Award Amount</u>
<u>U.S. Department of Education</u>			
Passed Through State Department of Education:			
Title I - Educationally Deprived	84.010	0615300506 0615300607 0715300607	\$ 670,157 81,013 676,053
Migrant Education	84.011	0718302007 0618302006 0718900607 0618900506	183,649 196,399 208,256 158,899
Title IIA - Improving Teacher Quality	84.367	0705200607 0605200606	160,739 167,466
Title V LEA Allocation	84.298	0702500607 0502500506 0602500506	5,207 4,414 11,574
Technology Literacy	84.318	0742900607 0642900607 0542900506 0642900506	6,940 14,013 11,614 9,015
Title III English Language	84.365	0605800506 0605800607 0705800607	41,458 1,109 26,965
Handicapped Pre-school	84.027	060440SPSR	4,130
Drug Free Schools	84.186	0728600607 0628600607 0528600506 0628600506	16,084 11,366 10,273 9,400

Total passed through MDE
(continued on next page)

Accrued/ (Deferred) Revenue July 1, 2006	(Memo only) Prior Year Expenditures	Expenditures	Receipts	Accrued/ (Deferred) Revenue June 30, 2007
\$ 223,257	\$ 512,609	\$ 157,548	\$ 380,805	\$ -
-		81,013	18,178	62,835
-		463,109	260,821	202,288
<u>223,257</u>		* 701,670	659,804	<u>265,123</u>
-		18,134	-	18,134
42,547	42,547	153,852	196,399	-
-		208,255	105,081	103,174
<u>70,525</u>	158,899	<u>-</u>	<u>70,525</u>	<u>-</u>
113,072		380,241	372,005	121,308
-		160,739	84,539	76,200
<u>41,932</u>	146,404	<u>21,062</u>	<u>62,994</u>	<u>-</u>
41,932		181,801	147,533	76,200
-		4,172	4,172	-
1,512	4,414	-	1,512	-
<u>7,895</u>	11,574	<u>-</u>	<u>7,895</u>	<u>-</u>
9,407		4,172	13,579	-
-		5,962	-	5,962
-		4,998	-	4,998
3,614	11,614	-	3,614	-
<u>8,265</u>	9,015	<u>-</u>	<u>8,265</u>	<u>-</u>
11,879		10,960	11,879	10,960
480	24,260	17,198	17,678	-
-		1,109	1,109	-
<u>-</u>		<u>26,965</u>	<u>9,262</u>	<u>17,703</u>
480		45,272	28,049	17,703
4,130	4,130	-	4,130	-
-		11,172	4,602	6,570
-		11,366	11,366	-
4,653	10,273	-	4,653	-
<u>2,328</u>	9,400	<u>-</u>	<u>2,328</u>	<u>-</u>
<u>6,981</u>		<u>22,538</u>	<u>22,949</u>	<u>6,570</u>
411,138		1,346,654	1,259,928	497,864
		- 43	-	

DOWAGIAC UNION SCHOOL DISTRICT

OTHER SUPPLEMENTAL INFORMATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - Continued
YEAR ENDED June 30, 2007

<u>Federal Grantor/Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Program or Award Amount</u>
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U.S. Department of Education - continued

Passed Through Intermediate
School District:

IDEA	84.027		1,695
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Safe Schools/Healthy Students	84.184		184,069
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Total passed through ISD

TOTAL DEPARTMENT OF EDUCATION

U.S. Department of Health and Human Services

Passed through Intermediate School District

Medicaid outreach	93.778		144,513
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(Continued on next page)

Accrued/ (Deferred) Revenue <u>July 1, 2006</u>	(Memo only) Prior Year <u>Expenditures</u>	<u>Expenditures</u>	<u>Receipts</u>	Accrued/ (Deferred) Revenue <u>June 30, 2007</u>
1,695	1,695	-	1,695	-
<u>4,909</u>	184,069	<u>-</u>	<u>4,909</u>	<u>-</u>
<u>6,604</u>		<u>-</u>	<u>6,604</u>	<u>-</u>
417,742		1,346,654	1,266,532	497,864
34,293	109,986	144,513	133,757	45,049

DOWAGIAC UNION SCHOOL DISTRICT

OTHER SUPPLEMENTAL INFORMATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - Continued
YEAR ENDED June 30, 2007

<u>Federal Grantor/Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Program or Award Amount</u>
<u>U.S. Department of Agriculture</u>			
<u>Nutrition Cluster</u>			
Passed Through State Department of Education:			
Summer Food Service for Children	10.559	06-07 07-08	17,522 6,802
National School Lunch Breakfast	10.553	05-06 06-07	108,130 100,017
National School Lunch Program	10.555	05-06 06-07	347,177 329,711
National School Lunch Special Milk	10.556	05-06 06-07	587 1,216
Food Distribution			
Entitlement Commodities	10.550	06-07	35,013
Bonus Commodities		06-07	314

TOTAL DEPARTMENT OF AGRICULTURE

TOTAL FEDERAL FINANCIAL ASSISTANCE

Notes:

- 1.*Designates Major Program
2. Dollar threshold used to distinguish between Type A and Type B programs - \$300,000
3. Expenditures in this schedule are in agreement with amounts reported in the financial statements
4. The amounts reported on the R7120 reconcile with this schedule.

Accrued/ (Deferred) Revenue July 1, 2006	(Memo only) Prior Year Expenditures	Expenditures	Receipts	Accrued/ (Deferred) Revenue June 30, 2007
(7,759)	-	17,522	9,763	-
<u>-</u>		<u>-</u>	<u>6,802</u>	<u>(6,802)</u>
(7,759)		17,522	16,565	(6,802)
-	97,809	10,321	10,321	-
<u>-</u>		<u>100,017</u>	<u>100,017</u>	<u>-</u>
-		110,338	110,338	-
-	302,128	45,049	45,049	-
<u>-</u>		<u>329,711</u>	<u>329,711</u>	<u>-</u>
-		374,760	374,760	-
-	493	94	94	-
<u>-</u>		<u>1,216</u>	<u>1,216</u>	<u>-</u>
-		1,310	1,310	-
-		35,013	35,013	-
<u>-</u>		<u>314</u>	<u>314</u>	<u>-</u>
-		35,327	35,327	-
<u>(7,759)</u>		<u>539,257</u>	<u>538,300</u>	<u>(6,802)</u>
<u>\$ 444,276</u>		<u>\$ 2,030,424</u>	<u>\$1,938,589</u>	<u>\$ 536,111</u>



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT FINANCIAL
STATEMENTS PERFORMED IN OF ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

To the Board of Education
Dowagiac Union Schools, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Dowagiac Union Schools as of and for the year ended June 30, 2007, which collectively comprise Dowagiac Union Schools' basic financial statements and have issued our report thereon dated October 23, 2007. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting - In planning and performing our audit, we considered Dowagiac Union Schools' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness on the Dowagiac Union Schools' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Dowagiac Union Schools' internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters - As part of obtaining reasonable assurance about whether Dowagiac Union Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Education, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Norman J. Paulson, P.C.

October 23, 2007



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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Education
Dowagiac Union Schools, Michigan

Compliance - We have audited the compliance of Dowagiac Union Schools with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2007. Dowagiac Union Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Dowagiac Union Schools' management. Our responsibility is to express an opinion on Dowagiac Union Schools' compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local governments, and Non-Profit Organizations*. Those standards and OMB circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Dowagiac Union Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Dowagiac Union Schools' compliance with those requirements.

In our opinion, Dowagiac Union Schools complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

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Patrick J. Monahan, CPA
Bruce S. A. Gosling, CPA
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Jerrold T. Norman (1941-1982)

Internal Control over Compliance - The management of Dowagiac Union Schools is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Dowagiac Union Schools internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of Dowagiac Union Schools' internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Entity's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Education, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Norman J. Paulson, P.C.

October 23, 2007

DOWAGIAC UNION SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED June 30, 2007

1. Summary of auditor's results:

- (I) An unqualified opinion was issued on the financial statements.
- (ii) No reportable conditions in internal control were disclosed by the audit of the financial statements.
- (iii) The audit disclosed no noncompliance.
- (iv) No reportable conditions in internal control over major programs were disclosed by the audit.
- (v) An unqualified opinion was issued on Compliance for major programs
- (vi) No audit findings were disclosed.
- (vii) Major programs: U.S. Department of Education:
 - Title I - Educationally Deprived
- (viii) Dollar threshold used to distinguish between Type A and Type B programs: \$300,000
- (ix) Dowagiac Union School District qualified as a low-risk auditee.

2. Findings relating to the financial statements which are required to be reported in accordance with GAGAS.

NONE

3. Findings and questioned costs for Federal awards.

NONE